Unofficial Translation

BANK INDONESIA REGULATION
NUMBER 8/17/PBI/2006
CONCERNING
INCENTIVES IN THE FRAMEWORK OF BANK CONSOLIDATION

THE GOVERNOR OF BANK INDONESIA,

Considering :

a. whereas to bring about a strong banking system it is necessary to strengthen bank structure through bank consolidation;

b. whereas efforts to accelerate the bank consolidation needs a comprehensive approach on the whole aspects as to be expected to create a more solid bank consolidation in accordance with the Indonesian Banking Architecture;

c. whereas in relation with the efforts to accelerate the bank consolidation it is necessary that to banks executing merger or consolidation are granted beneficial incentives as a sweetener;

d. whereas based on the considerations as referred to in letter a, letter b, and letter c, it is deemed necessary to draw up stipulation concerning incentives in the framework of bank consolidation in a Bank Indonesia Regulation;

In view of : ...

In view of :

1. Act Number 7 of 1992 concerning Banking (State Gazette of the Republic of Indonesia Number 31 of 1992, Supplement of the State Gazette of the Republic Indonesia Number 3472) as amended by Act Number 10 of 1998 (State Gazette of the Republic of Indonesia Number 182 of 1998, Supplement of the State Gazette of the Republic of Indonesia Number 3790);
2. Act Number 23 of 1999 concerning Bank Indonesia (State Gazette of the Republic of Indonesia Number 66 of 1999, Supplement to the State Gazette of the Republic of Indonesia Number 3843) as amended by Act Number 3 of 2004 (State Gazette of the Republic of Indonesia Number 7 of 2004, Supplement to the State Gazette of the Republic of Indonesia Number 4357);
3. Bank Indonesia Regulation Number 7/15/PBI/2005 dated July 1, 2005, concerning Minimum Tier One Capital for Commercial Banks (State Gazette of the Republic of Indonesia Number 53 of 2005, Supplement to the State Gazette of the Republic of Indonesia Number 4507);

HAS DECREED

To enact : BANK INDONESIA REGULATION CONCERNING INCENTIVES IN THE FRAMEWORK OF BANK CONSOLIDATION

Article 1 ...

Article 1

The terminology used in this Bank Indonesia Regulation means as follows.

1. Bank is a Commercial Bank as referred to Act Number 7 of 1992 concerning Banking as amended by Act Number 10 of 1998, not including branch office of a foreign bank
2. Merger is a consolidation of two or more banks by continuously maintaining the existence of one of the banks and dissolving the other banks without prior liquidation.
3. Consolidation is a consolidation of two or more banks by establishing a new bank and dissolving all of those banks without prior liquidation.

Article 2

(1) Bank Indonesia grants incentives to Banks implementing Merger or Consolidation.

(2) The incentives as referred to in paragraph (1) are in the forms of :
   a. Ease in the extension of license to become a foreign exchange bank;
   b. Temporary relaxation from obligation to meet the Rupiah Minimum Reserve Requirement;
   c. Extension of time period allowed to settle excess of the Legal Lending Limit arising from the Merger or Consolidation;
   d. Ease in the extension of license to open a Bank branch office; and/or
   e. Partial reimbursement of consultant’s fees for due diligence work performed.

Article 3

(1) The ease in the extension of license to become a foreign exchange bank as

referred to in Article 2 paragraph (2) letter a is granted in the event that :

a. Non-foreign exchange Bank carries out Merger or Consolidation with another non-foreign exchange bank; and

b. Deviation from applicable stipulations on requirements for paid up capital of non-foreign exchange bank to become a foreign exchange bank, bank's tier one capital resulting from the Merger or Consolidation of no less than Rp100,000,000,000.00 (one hundred billion rupiahs).

(2) Other requirements to become a foreign exchange bank persistently refer to applicable Bank Indonesia stipulations on requirements for non-foreign exchange commercial banks to become foreign exchange commercial banks.

Article 4

(1) The temporary relaxation from obligation to meet the Rupiah Minimum Reserve Requirement as referred to in Article 2 paragraph (2) letter b is in the form of a deduction of 1% (one percent) of liabilities as stipulated in the Rupiah Minimum Reserve Requirement.

(2) The temporary relaxation from obligation to meet the Rupiah Minimum Reserve Requirement as referred to in paragraph (1) is effective within 1 (one) year since :

a. The approval date of amendment to Statutes or Certificate of Establishment including Statutes by authoritative institution; or

b. The registration date of Certificate of Merger and amendment to Statutes in the list of companies if the amendment to Statutes does not need approval by authoritative institution.

Article 5 ...

Article 5

The extension of time period allowed to settle excess of the Legal Lending Limit arising from the Merger or Consolidation as referred to in Article 2 paragraph (2) letter c shall be no later than 24 (twenty four) months since :

a. The approval date of amendment to Statutes or Certificate of Establishment including Statutes by authoritative institution; or
b. The registration date of Certificate of Merger and amendment to Statutes in the list of companies if the amendment to Statutes does not need approval by authoritative institution.

Article 6

(1) The ease in the extension of license to open a branch office for the Bank arising from the Merger or Consolidation as referred to in Article 2 paragraph (2) letter d, in the case of rating, is only based on the latest level of rating.

(2) Other requirements for the extension of license to open a branch office continue to refer to applicable Bank Indonesia stipulations on commercial banks.

Article 7

The partial reimbursement of consultant's fees for due diligence work performed as referred to in Article 2 paragraph (2) letter e is to reimburse a part of the consultant's fee for due diligence of the Merger or Consolidation as agreed by those parties with a reimbursement of 50% (fifty percent) and at a maximum of Rp1,000,000,000.00 (one billion rupiahs) of due diligence fee after :

a. The approval date of amendment to Statutes or Certificate of Establishment including Statutes by authoritative institution; or

b. The registration date of Certificate of Merger and amendment to Statutes in the list of companies if the amendment to Statutes does not need approval by authoritative institution.

Article 8

(1) Bank which plans to implement Merger or Consolidation is required to submit application of incentive use plan proposed by the Board of Directors of respective Bank.

(2) The Bank's incentive use plan shall be submitted to Bank Indonesia no later than 6 (six) months prior to the implementation of the Merger or Consolidation which is addressed to :

   a. Concerned Directorate of Bank Supervision, for Bank with its head office located in the working area of Bank Indonesia Head Office; or

   b. Local Bank Indonesia Regional Office, for Bank with its head office located outside the working area of Bank Indonesia Head Office.

(3) The incentive use plan as referred to in paragraph (1) shall be included in the Bank's business plan.

Article 9

Controlling Shareholders, the Board of Commissioners, and the Board of Directors of Bank which are proper to implement Merger or Consolidation but unwilling to implement the Merger or Consolidation shall be liable to sanction in the form of written warning and it bears influence on integrity rating in the fit and proper test.

Article 10 …

Article 10

Further provisions pertaining to this Bank Indonesia Regulation shall be stipulated in Bank Indonesia Circular Letter.

Article 11

This Bank Indonesia Regulation shall come into force on the date of its enactment.

Enacted in Jakarta
Dated October 5, 2006

THE GOVERNOR OF BANK INDONESIA,

BURHANUDDIN ABDULLAH

STATE GAZETTE OF THE REPUBLIC OF INDONESIA NUMBER 74 0F 2006

DPNP/DPbS

ELUCIDATION
TO

BANK INDONESIA REGULATION
NUMBER 8/17/PBI/2006

CONCERNING
INCENTIVES IN THE FRAMEWORK OF BANK CONSOLIDATION

GENERAL REVIEW

In order to bring about a strong, sound, and efficient banking system for driving financial system stability it is deemed necessary to strengthen the national bank structure and capital. In addition to the drive on bank credit growth a stronger national bank capital is deemed necessary to enhance banks' capacity to face increasingly tight competitiveness and to anticipate the application plan of the Basel Accord II which demands sufficient investments in the fields of technology and human resource.

One of the efforts able to be made to strengthen the bank structure and capital is to drive bank consolidation in Indonesia through systematic and comprehensive approaches. Merger or consolidation is an alternative able to be implemented by banks to strengthen their capital. Therefore, to accelerate the implementation of consolidation, in addition to other efforts, Bank Indonesia deems necessary to grant incentives to banks implementing merger or consolidation.

ARTICLE …

ARTICLE BY ARTICLE

Article 1

Number 1 through Number 3.

Self-explanatory.

Article 2

Paragraph (1)

Self-explanatory.

Paragraph (2)

Self-explanatory.

Article 3

Paragraph (1)

Letter a

Self-explanatory.

Letter b

Self-explanatory.

Paragraph (2)

Self-explanatory.

Article 4

Paragraph (1)

Self-explanatory.

Paragraph (2)

Letter a

Self-explanatory.

Letter b

Self-explanatory.

Article 5

Letter a

Self-explanatory.

Letter b

Self-explanatory.

Article 6

Paragraph (1)

Self-explanatory.

Paragraph (2)

Self-explanatory.

Article 7

Letter a

Self-explanatory.

Letter b

Self-explanatory.

Article 8

Paragraph (1)

Self-explanatory.

Paragraph (2)

Self-explanatory …

Self-explanatory.

Paragraph (3)

Self-explanatory.

Article 9

Bank which is “proper to implement Merger or Consolidation” is a Bank holding a tier one capital less than Rp80,000,000,000.00 (eighty billion rupiahs) and its controlling shareholder is not capable to add the tier one capital.

Article 10

Self-explanatory.

Article 11

Self-explanatory.

SUPPLEMENT TO THE STATE GAZETTE OF THE REPUBLIC OF INDONESIA NUMBER 4643

DPNP/DPbS